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8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SAN DIEGO

9 THE PEOPLE OF THE STATE OF
10 CALIFORNIA, by and through the
CALIFORNIA CORPORATIONS
11 COMMISSIONER

12 Plaintiff,

13 vs.

14 RMC CAPITAL MANAGEMENT, INC., a
California corporation; BURGESS
15 NATHANIEL HALLUMS, an individual;
INNOVATION FUND 2000, LLC, a
16 California limited liability company; SEGUE
CAPITAL, INC., a California corporation;
17 PACIFIC PHOENIX COMMUNITIES, LLC,
a California limited liability company;
18 DAVID W. HOPTAR, an individual; and
DOES 1-10, inclusive,

19 Defendants,

20 and

21 IMMCAPNMOTION, INC., a Delaware
corporation; MISTNET MEDICAL
22 DEVICES, INC., a Delaware corporation;
MAGNETO INERTIAL SENSING
23 TECHNOLOGY, INC., aka, MIST, a Nevada
corporation; MIST NET, INC., an entity of
24 unknown form; MIST, INC., an entity of
unknown form; THORNTON CAPITAL
25 ADVISORS, INC., a California corporation;
DONALD J. COURTNEY, an individual;
26 WALLACE BENWARD, an individual; and
RELIEF DOES 1-10, inclusive,

27 Relief Defendants.
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Case No.: 37-2011-00103198-CU-MC-CTL

**STIPULATION TO ENTRY OF
FINAL JUDGMENT AS TO
DEFENDANT BURGESS NATHANIEL
HALLUMS**

[IMAGED FILE]

ASSIGNED FOR ALL PURPOSES TO:
HON. WILLIAM S. DATO

Dept: C-67

Date Action Filed: December 30, 2011

RECITALS

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2 A. Defendant Burgess Nathaniel Hallums (“DEFENDANT”) is an individual residing
3 in Ramona, California. At all relevant times, DEFENDANT was a licensed investment adviser
4 representative in California.

5 B. At all relevant times, DEFENDANT managed and controlled Defendants RMC
6 Capital Management, Inc., Innovation Fund 2000, LLC, Segue Capital, Inc., and Pacific Phoenix
7 Communities, LLC.

8 C. The People of the State of California, by and through the Commissioner of
9 Business Oversight, formerly the Commissioner of Corporations (“Commissioner” or “Plaintiff”),
10 filed a civil action in San Diego Superior Court against Defendants RMC Capital Management,
11 Inc., Burgess Nathaniel Hallums, Innovation Fund 2000, LLC, Segue Capital, Inc., Pacific
12 Phoenix Communities, LLC, David W. Hoptar and Does 1 -10, in this case, for violating the
13 Corporate Securities Law of 1968 (“CSL”), and against relief defendants for receiving ill-gotten
14 gains from defendants’ unlawful activities.

15 D. Plaintiff alleges in the complaint that DEFENDANT employed fraudulent,
16 deceptive and manipulative practices to the detriment of clients and engaged in multiple violations
17 of the CSL.

18 E. Plaintiff further alleges in the complaint that DEFENDANT operated a Ponzi
19 scheme, misrepresented a material fact, engaged in investment advisory activities in an unfair,
20 inequitable and unethical manner, maintained false books and records, misled the Commissioner,
21 failed to have clients’ funds and securities audited, failed to provide itemized statements to clients,
22 and failed to disclose material facts in connection with the offer and sale of securities.

23 F. The Court granted a temporary restraining order, freezing of assets and appointing
24 Eric J. Benink, as the receiver (“Receiver”), over DEFENDANT, and other parties, on January 10,
25 2012. Subsequently, the Court granted a preliminary injunction, confirming the asset freeze and
26 appointing of the Receiver, on April 27, 2012.

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TERMS AND CONDITIONS

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2 It is hereby stipulated by and between the Plaintiff and DEFENDANT (collectively,
3 “PARTIES”), as follows:

4 1. DEFENDANT admits service of the Second Amended Summons and Second
5 Amended Complaint filed in this matter.

6 2. DEFENDANT having entered a general appearance, in this action, acknowledges
7 that entry of a general appearance is equivalent to personal service of the Second Amended
8 Summons on him pursuant to California Code of Civil Procedure section 410.50.

9 3. DEFENDANT consents to the Court’s jurisdiction over him and the subject matter
10 of this action.

11 4. DEFENDANT has read the Second Amended Complaint, this Stipulation to Entry
12 of Final Judgment as to Defendant Burgess Nathaniel Hallums (referenced hereinafter as
13 “Stipulation”) and the proposed Final Judgment Against Defendant Burgess Nathaniel Hallums
14 (hereinafter “Final Judgment”) in the form attached hereto as Exhibit 1.

15 5. DEFENDANT voluntarily consents to entry of the Final Judgment without
16 admitting or denying the allegations of the Second Amended Complaint (except as to jurisdiction
17 over him and the subject matter), waives findings of fact and conclusions of law under California
18 Code of Civil Procedure section 632, waives any right to appeal entry of the Final Judgment, and
19 waives any defense to this action.

20 6. DEFENDANT waives any claims known and unknown to him against the Plaintiff,
21 her agents, officers, or employees based on the facts underlying the present action. DEFENDANT
22 specifically waives any rights provided by California Civil Code section 1542, which provides: “A
23 general release does not extend to claims which the Creditor does not know or suspect to exist in
24 his or her favor at the time of executing the release, which if known by him or her must have
25 materially affected his or her settlement with the Debtor.”

26 7. DEFENDANT waives recovery of any costs or expenses arising out of this action.

27 8. DEFENDANT consents to the issuance by the Court in the above-entitled action of
28 a permanent injunction enjoining DEFENDANT from, directly or indirectly:

1 a. Violating Corporations Code section 25235 by engaging in any act,
2 practice, or course of business which is fraudulent, deceptive, or manipulative, including but not
3 limited to, operating a Ponzi scheme, misusing clients funds, employing fraudulent practices and
4 engaging in transactions that operate as a fraud to the detriment of clients;

5 b. Violating Corporations Code section 25238 and California Code of
6 Regulations section 260.238 by engaging in investment advisory activities in an unfair, inequitable
7 and unethical manner, including but not limited to failing to disclose material facts about the
8 representative, and misrepresenting or omitting to state a material fact about fees for the advisory
9 services;

10 c. Violating Corporations Code section 25241 and California Code of
11 Regulations section 260.241.3 by maintaining false and inaccurate books and records;

12 d. Violating Corporations Code section 25404 by knowingly making an untrue
13 statement to the Commissioner during the course of her investigation and examination, with the
14 intent to impede, obstruct, or influence the administration or enforcement of the CSL;

15 e. Violating California Code of Regulations section 260.237, by failing to
16 have clients' funds and securities audited and failing to provide itemized statements to clients; and

17 f. Violating Corporations Code section 25401 by offering to sell or selling any
18 security of any kind, including but not limited to the securities described in the Second Amended
19 Complaint, by means of any written or oral communication which includes any untrue statement
20 of material fact or omits or fails to state any material fact necessary in order to make the
21 statements made, in the light of the circumstances under which they are made, not misleading,
22 including but not limited to the misrepresentations and/or omissions alleged in the Second
23 Amended Complaint.

24 9. DEFENDANT consents to the issuance by the Court in the above-entitled action of
25 an order barring DEFENDANT from any position of employment, management or control of any
26 broker-dealer, investment adviser or commodity adviser.

27 10. DEFENDANT hereby agrees to the Court's entry of the final monetary judgment
28 against him and in favor of the Plaintiff for the payment of restitution in the total amount of

1 \$10,409,046.99. Any restitution amount recovered shall become an asset of the receivership
2 estate. The liability for the restitution portion of the judgment shall be joint and several as against
3 DEFENDANT and Defendants RMC Capital Management, Inc., Innovation Fund 2000, LLC,
4 Segue Capital, Inc. and Pacific Phoenix Communities, LLC. DEFENDANT also agrees to the
5 entry of a final monetary judgment against him and in favor of the Plaintiff for the payment of
6 civil penalties authorized under Corporations Code section 25535 in the amount of \$875,000.00.
7 The liability of DEFENDANT for the payment of the judgment for civil penalties is joint and
8 several as against DEFENDANT and Defendants RMC Capital Management, Inc., Innovation
9 Fund 2000, LLC, Segue Capital, Inc. and Pacific Phoenix Communities, LLC.

10 11. The Receiver shall retain control over all money and assets, as set forth in Exhibit
11 2, acquired at the time the Receivership was ordered by this Court over DEFENDANT. The items
12 set forth in Exhibit 2 shall be referred to as the “Receivership Assets.”

13 12. It is also agreed that with respect to the entry and satisfaction of the monetary
14 judgment to be entered against DEFENDANT pursuant to this Stipulation, the following terms
15 and conditions apply:

16 a. All monies obtained through the enforcement of this judgment shall be applied
17 first to the restitution order and second to the civil penalty order.

18 b. All monies actually recovered by the Receiver from third parties in the future
19 shall be credited to the restitution order.

20 c. All current Receivership Assets, including those assets identified in Exhibit 2,
21 are hereby forfeited by DEFENDANT, which shall be subject to the terms and conditions in the
22 April 27, 2012 Receivership Order. All assets identified in Exhibit 3 are not subject to the
23 Receivership Order.

24 d. The Final Judgment attached as Exhibit “1” may be entered by the Court at any
25 time after the execution of this Stipulation. Upon entry of the Final Judgment, Plaintiff or Receiver
26 may seek to enforce the Final Judgment. Any recovery obtained by the Receiver through the
27 enforcement of the Final Judgment shall become property of the Receivership Estate.

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1 e. The PARTIES understand that the Receiver will be requesting the release of
2 DEFENDANT from the receivership. The PARTIES stipulate and agree that this Stipulation is
3 contingent upon DEFENDANT’s release from the receivership.

4 13. As part of this Stipulation, DEFENDANT hereby represents and warrants that he
5 does not currently have title to, possession of or control over any additional assets, or real or
6 personal property other than those assets identified in Exhibits 2 and 3. In the event it is shown by
7 the Plaintiff that DEFENDANT had assets that were not known to the Receiver or identified in
8 Exhibits 2 and 3, the Plaintiff may seek relief from the court to modify the Final Judgment against
9 the party violating this Stipulation to seek additional amounts of restitution and civil penalties
10 from that party in an amount according to proof by the Plaintiff. The request shall be made by
11 noticed motion to permit sufficient opportunity for all PARTIES to be heard. The Court retains
12 jurisdiction to make whatever orders are just and proper as to the later identified asset. The
13 violation of this provision of the Stipulation by DEFENDANT or efforts to seek additional
14 restitution or civil penalties by the Plaintiff pursuant to such violation shall not affect the ability of
15 the Plaintiff to seek to collect from DEFENDANT the amount of the restitution and civil penalties
16 specified in the Final Judgment attached as Exhibit “1”.

17 14. The PARTIES stipulate and agree that this Court shall retain jurisdiction of this
18 action in order to implement and enforce the terms of this Stipulation and entry of the Final
19 Judgment pursuant thereto, and to entertain any suitable application or motion for additional relief
20 or modification or any order made herein within the jurisdiction of the Court.

21 15. Notwithstanding any other provision contained herein, nothing in this Stipulation
22 shall operate to limit the Commissioner’s ability to investigate and prosecute violations of the CSL
23 not addressed herein, or in the Second Amended Complaint, or to assist any other agency (federal,
24 state, or local) with any prosecution, administrative, civil or criminal, brought by such agency
25 against DEFENDANT concerning violations alleged herein or otherwise. DEFENDANT further
26 agrees and acknowledges that nothing in this Stipulation or in the Final Judgment in this matter
27 shall bind or otherwise prevent any other federal, state or local agency from the performance of its
28 duties.

1 16. The PARTIES hereby acknowledge and agree that this Stipulation constitutes the
2 entire Stipulation between the PARTIES with respect thereto. This Stipulation supersedes any and
3 all prior or contemporaneous agreements between the PARTIES hereto.

4 17. Each party hereto represents and warrants that it has received independent advice
5 from his or her attorney and/or other representative prior to entering into this Stipulation, and in
6 executing this Stipulation relied solely on the statements set forth herein and the advice of his or
7 her own counsel and/or representative.

8 18. In that the PARTIES have had the opportunity to draft, review and edit the
9 language of this Stipulation, no presumption for or against any party arising out of drafting all or
10 any part of this Stipulation will be applied in any action relating to or arising out of this
11 Stipulation. Accordingly, the PARTIES hereby waive the benefit of California Civil Code section
12 1654 and any successor statute.

13 19. The waiver of any provision of this Stipulation shall not operate to waive any other
14 provision set forth herein, and any waiver, amendment and/or change to the terms of this
15 Stipulation must be in writing signed by the PARTIES hereto.

16 20. Each signatory hereto represents and warrants that he or she possesses the
17 necessary capacity and authority to execute this Stipulation and bind the PARTIES hereto.

18 21. If any paragraph, clause, or provision of this Stipulation or of the Final Judgment
19 entered thereto, or the application thereof, is held invalid or unenforceable, such decision shall
20 affect only the paragraph, clause or provisions so construed or interpreted, and the invalidity shall
21 not affect the provisions of the application of this Stipulation, or of the Final Judgment entered
22 thereto, which can be given effect without the invalid provisions or application, and to this end,
23 the provisions of the Stipulation, and of the Final Judgment entered thereto, are declared by
24 Plaintiff and by DEFENDANT to be severable.

25 22. This Stipulation may be executed in one or more separate counterparts, each of
26 which when so executed, shall be deemed an original. Such counterparts shall together constitute
27 and be one and the same instrument. An electronically transmitted signature shall be deemed the
28 same as an original.

